

Guestworker Programs: A Threat to American Agriculture

By Mark Krikorian

*Is this the best way we can grow our big orchards?
Is this the best way we can grow our good fruit?*

— “Deportee,” by Woody Guthrie

Since the election of Mexico's President Vicente Fox, there has been extensive discussion in the United States of a new program to admit Mexican workers on temporary visas. Attorney General John Ashcroft has said the Bush Administration is “open to a guest worker program,” and is working out the details through the U.S.-Mexico Migration Working Group. Meanwhile, Sen. Phil Gramm and four colleagues met with Mexican President Vicente Fox earlier this year to promote such a program as a way both to import new Mexican workers as well as to legalize the many Mexican illegal aliens already here. “I don't see why this cannot be done and in place within a year,” Gramm told reporters at the time. “I believe that an effective guest worker program can help the American economy and dramatically decrease illegal immigration and all the evils that accompany it,” he said.

This is not a new idea. Last year, in the 106th Congress, the “Agricultural Opportunities Act” was approved by the House Judiciary Committee, though it was not voted on by the full House. The bill would have created a large agricultural guestworker program for the first time since the “Bracero” program, which brought close to five million Mexican farmworkers to the United States before it was abolished in 1964. Sen. Gramm's approach, on the other hand, is even more expansive because, though it would not permit the guestworkers to become immigrants, it would not be limited to agriculture — thus allowing the mass importation of foreign workers into the construction, restaurant, hotel, landscaping, and other industries.

Either approach to the guestworker issue has the potential to dwarf the Bracero program, since there are at least three million Mexican illegals already here, and millions more eager to come.

The detrimental impacts of such a program are numerous. One major problem is the high cost of such cheap labor. The importation of workers with very low levels of education into a modern, high-tech economy imposes a huge burden on America's taxpayers. Analysis from the Center for Immigration Studies shows that two-thirds of Mexican immigrant workers lack even a high school education; as a consequence, two-thirds of Mexican immigrants and their young children live in or near poverty, 31 percent use at least one major federal welfare program (twice the rate of native-born households), and Mexican immigration since 1987 has added 3.3 million people to the ranks of the uninsured.

The potential fiscal burden of a guestworker program is relevant because, no matter how cleverly designed, all guestworker programs lead to large-scale permanent settlement. What's more, such programs inevitably exploit foreign workers and undermine the competitive position of American workers, and lead to huge increases in illegal immigration. These outcomes are the result of human nature and cannot be avoided by legislated worker protections or gimmicks like withholding a portion of the workers' wages until they return home.

But there has been little discussion of another critical aspect of such a program; namely, the impact



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it would have on the various industries that would hire these workers. It is simply assumed that large swaths of the American economy simply could not function without low-skilled, low-wage foreign labor. In Sen. Gramm's words, "They are vital to our economy, yet they are violating our laws."

Not only is this untrue, but the large-scale availability of such labor actually impedes economic progress. This is especially noticeable in the production of fresh fruit and vegetables, since the immigrant portion of the agricultural workforce is higher than in any other major occupation.

The origin of agricultural guestworker proposals is the desire of farmers for what they consider an adequate labor pool at sufficiently low cost. The warnings of spokesmen for farmers are dire — without such assistance from the government, they claim, agriculture will be crippled, with farmers going out of business, fruits and vegetable prices soaring, and America made vulnerable by dependence on food imports from abroad.

Such claims have been made before. In the 1880s, when there were proposals to stop Chinese immigration to California, farmers responded that without Chinese farmworkers "there would not now be one fruit tree or grape vine in the state where there are now 10."

Likewise, in the early 1960s, during hearings in California on the proposed termination of the Bracero program, tomato farmers claimed that "the use of braceros is absolutely essential to the survival of the tomato industry." Congress discontinued the program anyway, and the results were not at all as the farmers had claimed; University of California economist Philip Martin has shown that with fewer workers available, the harvest was increasingly mechanized, resulting in a quadrupling of production over the next 30 years of tomatoes for processing, and a fall in real prices.

This result nicely summarizes the threat guestworker programs pose to America's agricultural competitiveness: By artificially inflating the supply of labor, government interference in the agricultural labor market keeps the price of labor low and reduces incentives for harvest mechanization and technological advancement in fruit and vegetable production.

Today's Guestworker Program

In a sense, we have a guestworker program already — it is called illegal immigration. It can be fairly described this way since, despite recent increases in border enforcement, there is no enforcement whatsoever inside the country, a result of repeated attacks on the INS when it does try to enforce the law. Sen. Pete Domenici, who accompanied Sen. Gramm to Mexico City earlier this year, acknowledged as much when he said, "We are encouraging a hypocrisy. At the border we arrest ... but once they get here everyone opens their arms and says we've got a job for you."

The hypocrisy Sen. Domenici referred to includes his own colleagues in Congress. For instance, when the INS conducted raids during Georgia's Vidalia onion harvest in 1998, the modest number of illegals it managed to apprehend was dwarfed by the thousands of workers who abandoned the fields to avoid arrest. Within hours, employers and local politicians registered their displeasure, and by the end of the week both of Georgia's senators and three of its representatives sent a letter to Attorney General Reno and to the secretaries of labor and agriculture fiercely criticizing the INS enforcement action for its "lack of regard for farmers."

In response, the INS developed a "kinder, gentler" means of enforcing the law, which was also stopped cold. Rather than conduct raids on individual employers, Operation Vanguard sought to identify illegal workers at all meatpacking plants in Nebraska through audits of their personnel records. Despite fears that as much as 25 percent of the workforce was illegal, the INS found about 4,000 workers, out of about 24,000, who appeared to be illegal, and scheduled interviews to determine their status. Three thousand of these workers turned out to be illegal aliens and never showed up for their interviews, with the remaining 1,000 able to correct errors in their personnel or INS records.

Local law enforcement officials were very pleased with the program: "It's an excellent program," said Grand Island, Neb., Police Chief Kyle Hetrick; "It's a positive thing. It's effective." But despite the initial promise of this new enforcement strategy, employers and politicians actively criticized the very idea of enforcing the law: "It was ill-advised for Operation Vanguard to start out in a state with such low employment and an already big problem with a shortage of labor," said a former Nebraska governor who had been hired to lobby for an end to immigration law enforcement. As a result, plans to expand the program to other states and other industries were scrapped.

The INS has gotten the message and effectively ended worksite enforcement nationwide. In the words of Robert Bach, then-INS associate commissioner for policy and planning: “It is just the market at work, drawing people to jobs, and the I.N.S. has chosen to concentrate its actions on aliens who are a danger to the community.”

Apart from Congress’s repeated, and ultimately successful, attempts to obstruct law enforcement, the law itself is inadequate; Congress needs to permit the resumption of open-field searches by the INS and to mandate an automated verification system to enable law-abiding farmers to distinguish between legal and illegal workers. Until that happens, it must be acknowledged that Congress itself is tolerating today’s illegal immigration, thus allowing it to function as a tacit guestworker program.

Threat to Agriculture

But whether the agricultural workforce is inflated through affirmative means — by a formal guestworker program, as is now being considered — or tacitly, through toleration of illegal immigration, the result for American agriculture is the same: an artificially low price of labor, resulting in slowed mechanization and stagnating harvest productivity. This sows the seeds of a competitive meltdown in the future, as it becomes increasingly untenable for American fruit and vegetable farmers to compete on the basis of labor costs with low-wage countries. Such competitive difficulties are sure to be followed by successful demands that Congress enact direct subsidies for farmers grown accustomed to relying on cheap labor. This would seem contrary to Congress’s recent moves to phase out many other agricultural subsidies.

The period from 1960 to 1975 — roughly from the end of the Bracero program to the beginning of the mass illegal immigration we are still experiencing today — was a period of considerable mechanization, with the average labor-hours per acre used in harvesting horticultural crops dropping 20 percent. But a continuing increase in the acreage and number of crops harvested mechanically did not materialize as expected, in large part because the supply of workers remained artificially large due to the growing illegal immigration we were politically unwilling to stop.

This is not to say there has been no growth in agricultural labor productivity. In fact, between 1960 and 1994, the quantity of farm output doubled, while farm employment shrank by 57 percent. But such a broad indicator means little, since it includes not only the

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production of lettuce in California, but also corn in Iowa, cotton in Alabama, and cranberries in Massachusetts. In states with labor-intensive fruit and vegetable sectors, there was a smaller decrease in overall farm employment, and even that shrinkage masked what was really happening — a sharp decrease in the numbers of actual farmers and their families working the soil, offset by an actual increase in the number of hired (usually foreign) laborers. Mass access to foreign labor is thus recreating the plantation style of agriculture once prevalent in the South and now dominant in states like California and Florida.

Even with a large pool of cheap foreign labor, there will always be some increases in harvest labor productivity. Capital or machines are normally substituted for workers when wages rise, but there may be reasons to substitute capital for labor that aren’t related to wages. For example, as water became scarcer and more costly in the 1980s and 1990s in California, more farmers turned to drip irrigation — it uses less water and, almost as an afterthought, also saves millions of hours of labor. Similarly, picking wine grapes by machine can improve the quality of the wine in hotter areas because the machines can harvest at night, so most of California’s wine grapes are now picked by machine.

But the basic truth still holds — foreign farm labor keeps wages low and serves as a disincentive to mechanization. In fact, the wages of farmworkers have been *decreasing* over the past decade. A March 2000 report from the Labor Department found that the real wages of farmworkers have fallen from \$6.89 per hour in 1989 to \$6.18 per hour in 1998. A new guestworker program, or continued official encouragement of illegal immigration, is likely to continue this downward trend in farmworker wages. This may seem superficially appealing to farmers, but from a competitive point of view, vying with low-wage countries on the basis of labor costs is a dead end — no modern society, will ever be willing to reduce farmworkers’ wages enough to match those paid in third world countries.

The importation of foreign farmworkers also leads to very inefficient use of labor, further hampering

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productivity growth. The same March 2000 Labor Department report found widespread under-employment — the average number of weeks a farmworker works in agriculture has dropped from 26 weeks in 1990-92 to 24 weeks in 1996-98. The average farmworker spent only about 47 percent of his time in U.S. farm work, compared with 19 percent of his time unemployed in the U.S., 8 percent of his time in U.S. non-farm employment, and 24 percent of his time living abroad. This inefficient utilization of farm labor is also reflected in the fact that the unemployment rate for farmworkers between 1994 and 1998 was routinely more than double the rate for all occupations, according to a December 1999 report from the Congressional Research Service.

Ironically, the artificial expansion of the agricultural labor market not only dissuades our farmers from exploiting America's comparative advantage in technology and capital, but using cheap foreign labor to produce fruit and vegetables for export actually subsidizes foreign consumers, since about one-fifth of our country's fruit, vegetable, and horticultural production is exported. Subsidies for Americans are problematic enough, but subsidies for foreigners are difficult to justify in any conception of the national interest.

Farming Without Foreign Labor?

There is little doubt that fruit and vegetable production could survive, and thrive, without importing foreign workers, whether illegals or guestworkers. In fact, even during World War II, at a time when 16 million Americans were in uniform, there was no economic rationale for the importation of foreign workers. As William and Mary historian Cindy Hahamovitch has shown, the Bracero program was instituted at that time, not to ensure the continued production of food, but to prevent wage increases and possible unionization after 20 years of rural depression.

An example of the improved productivity possible even in very labor-intensive crops is seen in raisin grapes. The production of raisins is one of the most labor-intensive activities in North America, with 40,000 to 50,000 workers harvesting the grapes in California's

Central Valley during the three- to four-week season. Using conventional methods, the grapes are cut with a knife, placed in a pan, then laid on a paper tray for drying, and during the drying period, must be manually turned, then manually rolled and collected.

But starting in the late 1950s in Australia (where there is no large supply of foreign farm labor), farmers were compelled by circumstances to develop a labor-saving method called "dried-on-the-vine" (DOV) production. This involves growing the grape vines on trellises, then, when the grapes are ready, cutting the base of the vine instead of cutting each bunch of grapes individually. The fruit then dries naturally on the vine, at which point a tractor-mounted harvester gently knocks the raisins off into bins.

The benefits of this new method are significant: Labor demand at harvest time drops by up to 85 percent and total labor demand is spread out over the whole year; new vineyards planted for DOV harvest increase yield per acre by up to 200 percent; and the fruit is less susceptible to rain damage and is of higher quality because of fewer problems with dirt, sand, and mold. One farmer who shifted to DOV summarized the benefits: DOV "can reduce labor, reduce weather hazards, reduce environmental concerns of dust and chemical use . . . DOV is so good it's scary."

Has this high-productivity, innovative method of production been widely adopted? No. Only a handful of farmers are using it, most notably Lee Simpson of Simpson Vineyards near Madera, Calif. (who, not coincidentally, entered the raisin business after a career in engineering, rather than inheriting a family farm). This is because the widespread availability of foreign workers is a disincentive to raisin farmers, whose average age is believed to be over 60, to make the long-term capital investment needed to retrofit existing raisin farms for DOV production. The enactment of a new guestworker program would further retard the adoption of this promising new technology.

In raisin production, a surfeit of labor has dampened innovation and productivity gains. An example of the reverse phenomenon, a labor shortage promoting dramatic steps toward modernization, is Florida's sugar cane harvest. In the 1930s, Eleanor Roosevelt decried the working conditions endured by sugar harvesters using a machete, bending at the waist, dealing with heat, mosquitoes, and snakes — which had changed little since the Middle Ages. These conditions continued through the 1980s, when the sugar companies imported 9,000 to 10,000 West Indian guestworkers a year through the small H-2A visa program. Then the industry was hit by a persistent wave of lawsuits filed on behalf of farmworkers whose

contracts had been violated by their employers. This proved so nettlesome that the employers calculated it would be more profitable to mechanize the sugar harvest than to honor all the legally required terms of their contracts with the farmworkers. By the 1992-93 season, 50 percent of Florida sugar cane was harvested by machine, and today virtually all of it is, resulting in dramatic increases in productivity, plus higher wages and more civilized working conditions for the remaining harvesters.

The threat posed by a guestworker program (or continued illegal immigration) to the continued competitiveness of U.S. agriculture does not come only from the inability to compete on the basis of wages with Third World countries; there is also the danger that the slowing of technological innovation brought about by artificial infusions of labor will allow our economic competitors in other developed countries to leap ahead of us. This is perhaps most disturbing in the field of robotic harvesting. Automated picking of fruits and vegetables by a robotic system is the third wave of agricultural mechanization (after labor aids, which facilitate harvesting work but don't reduce labor demand; and labor-saving machines, which improve productivity and reduce labor needs). The development of viable robotic harvesting technologies is still in its infancy, though great progress has been made as computers, vision systems, and motion/manipulation control technologies have been enhanced. Unfortunately, because of the mass availability of alien labor in the United States, the European Union is well ahead of us in bringing this potentially revolutionary technology to market. Enactment of a new guestworker program, and/or failure to end today's mass illegal immigration, may help our competitors gain a long-run advantage in agriculture, an area where America has traditionally been the pacesetter.

What Is to Be Done?

If neither guestworker programs nor illegal immigration is advisable, then what are farmers to do? After all, past federal policies have encouraged our fruit and vegetable farmers to develop an addiction to Mexican labor. As imperative as it is to cut illegal immigration and reject guestworker programs, we owe it to America's farmers to offer them an alternative to the current way of doing business.

Fortunately, such an alternative is readily available, if only we reverse an ill-advised policy from the past.

On December 13, 1979, Carter Administration Agriculture Secretary Bob Bergland announced that "I

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will not put federal money into any project that results in saving of farm labor." At the same time, he backed a lawsuit by California Rural Legal Assistance against the University of California to prevent it from using any tax money to develop harvest mechanization technologies. These moves were seen as protecting the jobs of farmworkers, despite the fact that farmworkers are eager to find work in the city, as the U.S. Commission on Agricultural Workers found in its 1992 report. As a result of these Luddite efforts, there remains today only one USDA mechanization R&D project, in Sen. Byrd's West Virginia.

Of course, research and development in any field should be conducted mainly by private industry, and there are in fact many such efforts, such as the initiative funded by Florida citrus growers to develop high-productivity mechanical harvesting technologies. But the case of fruit and vegetable farming calls for a transitional federal partnership with private industry. The government fostered farmers' dependence on alien labor — through past guestworker programs, amnesties, and lack of immigration enforcement — so it is Washington's responsibility to help farmers extricate themselves from the fallout of federal policies.

The solution, then, is for the Department of Agriculture to institute large-scale funding of research and development for mechanization of fruit and vegetable harvesting. Such a program would have several components:

- Development of labor-saving machines and robotic harvesting. There are huge gains to be made in citrus, lettuce, apples, and other crops. Not only would this reduce our farmers' need for foreign labor, but it would strengthen American agriculture in its competition with low-wage commercial producers overseas.
- Research and development of "labor-aids" — technologies that don't reduce the need for workers but which make the work easier to perform. This would address widespread concerns about occupational injuries among farmworkers and allay the fears of those who contend that mechanization

would be bad for farmworkers. But it would also help farmers by effectively increasing the number of potential workers, since more people would be capable of performing the less physically demanding work.

- Finally, it would be necessary to offer loan guarantees to enable smaller family farmers to be able to purchase the new equipment or reorganize their operations to increase harvest productivity. Otherwise, large, better-capitalized operations would be able to take advantage of these new technologies developed with taxpayer funds to squeeze their smaller competitors.

What Would Happen

What are the likely consequences of such an approach? There would be, as in everything, both costs and benefits:

Costs:

- Even with transitional government assistance, some marginal, undercapitalized farms propped up by foreign labor would fold or have to sell out to better-capitalized, more progressive competitors. Such a shakeout, though difficult in the short term, is inevitable when an industry loses the subsidies protecting it and is forced to rationalize and become more efficient and competitive. But the reallocation of capital and labor to more productive uses benefits the nation in the long run.
- There might be modest price increases. I say “might” because farmworker wages typically account for less than 10 percent of the retail cost of fresh fruits and vegetables, and even in the absence of a new guestworker program, there is no possibility that all illegal workers would disappear overnight; ending illegal employment, were we to make such a choice, would be a process, not an event, permitting farmers time to adjust. But even if the entire illegal agricultural workforce were somehow to magically disappear overnight, the impact on supermarket prices would be extremely modest and short-lived: Research suggests that supermarket prices for fresh produce would rise about 6 percent during summer and fall (when imports are small and prices are lowest) for one or two years, before farmers adjusted to the new circumstances. In the winter and spring,

the price rise would be even smaller, perhaps 4 percent for one or two years. Such price increases are less than the variation between supermarkets, and would in any case apply to only a very small portion of the nation's food bill.

- Some crops now grown in the United States would be imported, primarily very fragile crops intended for sale as fresh produce that will have to be picked by hand for the foreseeable future; fresh produce represents a relatively small portion of fruit and vegetable production, since most fruit and vegetable production is destined for processing and thus better suited for mechanization. The phasing out of production of certain goods which are not suited to high-wage, capital-intensive methods is a natural consequence of modernization; indefinitely subsidizing industries (or crops) which can no longer operate economically without government assistance is simple protectionism.

Benefits:

- Harvest productivity would increase dramatically, strengthening the long-run competitiveness of American agriculture. Only by emulating other industries, which have prospered by evolving beyond the low-wage production methods of the past, can American fruit and vegetable farmers remain competitive with the growing number of commercial agricultural producers overseas. Attempting to maintain the status quo through guestworker programs is a dead end which we will all pay for in the long run. As several noted agricultural engineers have written, “while the U.S. was in the past the leading country in the world in mechanical harvesting, the majority of the research work in recent years is conducted outside the U.S.”
- Price increases, if any, would not only fade very quickly, but they would likely be followed by actual decreases in the real price of certain fruits and vegetables, as was the case with processing tomatoes after the end of the Bracero program. This should not be surprising, given the proven power of innovation to reduce real prices, as demonstrated by the late University of Maryland economist Julian Simon's famous bet with Stanford ecologist Paul Erlich (which Simon won) that the real prices of five commodities would all be lower in 1990 than 1980 due to innovation.

- Employment would stabilize, eliminating many of the political and legal controversies that have surrounded agricultural labor for many years. In other words, much of the regulation of agricultural labor issues would be rendered moot, or at least less pressing, with the gradual evolution of farm labor into more steady, year-round employment, marked by wages and working conditions more in line with the rest of our society.

The guestworker approach is widely supported by agricultural trade associations. One would expect farmers to know their own interests. But a guestworker program is simply another kind of subsidy, and the experience of other industries, both here and abroad, shows that industries often seek the short-term comforts of government largesse to the long-term benefits of bracing competition and the innovation that results from it.

The dependence of our horticultural sector on foreign labor is a genuine problem — but the solutions so far proposed would only spawn new difficulties. The

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national interest demands that we reject the false choice of either illegal immigrants or guestworkers. A modest, transitional program to promote mechanization would better serve the long-term interests of agriculture and be far more cost-effective and have fewer unintended consequences than importing a vast new poverty class. Helping agriculture disentangle itself from foreign labor would strengthen the competitive position of America's farmers, avoid burdening taxpayers with huge new liabilities, and lighten the load of those who continue to toil in the fields. Seldom does such a small measure have the potential for so much good.

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Backgrounder

Guestworker Programs: A Threat to American Agriculture

By Mark Krikorian

Mass access to foreign labor, whether through a guestworker program or through continued official encouragement of illegal immigration, is a threat to America's agricultural competitiveness. By artificially inflating the supply of labor, government interference in the agricultural labor market keeps the price of labor artificially low and reduces incentives for harvest mechanization and technological advancement in fruit and vegetable production.

This *Backgrounder* argues that instead of accepting a false choice between illegal immigrants or guestworkers, federal policy should seek to wean America's horticultural producers off their dependence on foreign labor through the resumption of support for research and development of new harvest mechanization technologies.

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